



OFFICE OF

In the Matter of

INSURANCE COMMISSIONER No. G04-58

The Financial Examination of
UNIGARD INSURANCE COMPANY

)
) FINDINGS, CONCLUSIONS,
) AND ORDER ADOPTING REPORT
) OF
) FINANCIAL EXAMINATION

A Domestic Insurer. _____

BACKGROUND

An examination of the financial condition of **UNIGARD INSURANCE COMPANY** (the Company) as of December 31, 2002, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings and instructions was transmitted to the Company for its comments on September 10, 2004. On October 15, 2004, the Company provided comments.

The Commissioner or a designee has considered the report, the relevant portions of the examiners work papers, and submissions by the Company.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 24 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **UNIGARD INSURANCE COMPANY** and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented the Instructions prior to the date of this order. The Instructions in the report are an appropriate response to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

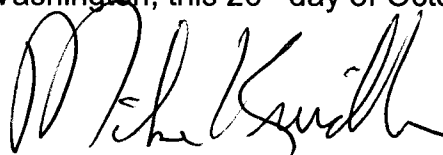
The Company is ordered as follows, these being the Instructions contained in the examination report on pages 1-7.

1. The Company is ordered to record vehicle and auto costs, and related depreciation, on the correct NAIC Annual Statement line pursuant to RCW 48.05.250 and the NAIC Annual Statement Instructions. Instruction 1, Examination Report, page 1.
2. The Company is ordered to properly classify non-admitted qualified pension plan assets in the NAIC Annual Statement pursuant to RCW 48.05.250 and the NAIC Annual Statement Instructions. Instruction 2, Examination Report, page 2.
3. The Company is ordered to properly classify drafts outstanding in the NAIC Annual Statements pursuant to RCW 48.05.250 and the NAIC Annual Statement Instructions. Instruction 3, Examination Report, page 3.
4. The Company is ordered to properly classify commissions payable in the NAIC Annual Statement pursuant to RCW 48.05.250 and the NAIC Annual Statement Instructions. Instruction 4, Examination Report, page 3.
5. The Company is ordered to properly classify Washington State sales tax in the NAIC Annual Statements pursuant to RCW 48.05.250 and the NAIC Annual Statement Instructions. Instruction 5, Examination Report, page 4.
6. The Company is ordered to properly classify accrued expenses for operating leases pursuant to RCW 48.05.073 and NAIC Annual Statement Instructions. Instruction 6, Examination Report, page 4.
7. The Company is ordered to maintain a stock register in order to meet the full and adequate accounts and records requirement pursuant to RCW 48.05.280. Instruction 7, Examination Report, page 5.
8. The Company is ordered to maintain its books, accounts, and records so that they clearly and accurately disclose the nature and details of its investment management services, including such accounting information as is necessary to support the reasonableness of the investment management fees pursuant to RCW 48.31B.030. Instruction 8, Examination Report, page 5.

9. Pursuant to RCW 48.31B.030(1)(b), the Company is ordered to obtain prior approval from the OIC of its cost-sharing agreements involving persons in its holding company system. Instruction 9, Examination Report, page 5.
10. Pursuant to RCW 48.05.073, the Company is ordered to correctly record Earned But Unbilled (EBUB) premium in the NAIC Annual Statement as required by SSAP 53, paragraph 9, and to properly disclose the amount of EBUB as required in the NAIC Annual Statement Instructions. Instruction 10, Examination Report, page 6.
11. The Company is ordered to properly classify goodwill amortization on the NAIC Annual Statement as required by RCW 48.05.073 and SSAP No. 68. Instruction 11, Examination, page 6.
12. Pursuant to RCW 48.05.073, the Company is ordered to non admit offsets to reserves based on the Indemnity Agreement with John Hancock. However, no adjustment was required for the examination period ending December 31, 2002 due to OIC's actuarial review. The OIC review determined that reserves, which were reduced for the Indemnity Agreement offset, were adequate or within a reasonable range as stated in the 2002 NAIC Annual Statement. On a go forward basis, there is no guarantee the reserves would remain adequate after the offset is applied, therefore the offset must be non-admitted in future reserve calculations. Instruction 12, Examination Report, page 7.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Tumwater, Washington, this 26th day of October, 2004.



MIKE KREIDLER
Insurance Commissioner